APPENDIX A

UNITED STATES COURT OF APPEALS
FEDERAL CIRCUIT

No. 00-1007

DR. RAYMOND G. TRONZO,
Plaintiff-Appellant,

v.

BIOMET, INC.,
Defendant-Appellee.

Jan. 17, 2001

Before NEWMAN, Circuit Judge, ARCHER, Senior Circuit Judge, and LOURIE, Circuit Judge.

ARCHER, Senior Circuit Judge.

Dr. Raymond G. Tronzo ("Dr.Tronzo") appeals the judgment of the United States District Court for the Southern District of Florida. *Tronzo v. Biomet, Inc.*, No. 91-8175-CIV-HURLEY (S.D.Fla. Aug.27, 1999), and underlying orders. Specifically, Dr. Tronzo appeals the reduction in an award of compensatory damages from $7,134,000 to $520, the reduction of punitive damages from $20,000,000 to $52,000, and the rejection of Dr. Tronzo's request for a new trial in light of the court's reduction of the jury's award of compensatory and punitive damages. Concluding that the district court erred only in revisiting the issue of the proper amount of punitive damages, we affirm-in-part and reverse-in-part.

BACKGROUND

This case returns to this court following remand from an earlier appeal, *Tronzo v. Biomet, Inc.*, 156 F.3d 1154, 47 USPQ2d 1829 (Fed.Cir.1998) ("*Tronzo I*"), from the judgment of the Southern District of Florida, *Tronzo v. Biomet, Inc.*, 950 F.Supp. 1149, 41 USPQ2d 1403 (S.D.Fla.1996).

The underlying dispute between Dr. Tronzo and Biomet concerns a medical device, called an "acetabular cup," that forms the upper portion of a hip implant. Dr. Tronzo alleged that he had established a confidential relationship with Biomet for the purpose of bringing his acetabular cup design to market. According to Dr. Tronzo, Biomet was to pay him for his invention if he could successfully obtain a patent on his invention. Dr. Tronzo claims that Biomet failed to compensate him and, instead, took his ideas and incorporated them into its highly successful Mallory/Head cup design (named after Drs. Thomas Mallory and William Head). Dr. Tronzo brought suit in the Southern District of Florida for infringement of United States Patent No. 4,743,262 ("the '262 patent"), issued May 10, 1988, and, under Florida law, for breach of a confidential relationship, fraud, and unjust enrichment.

A jury found in favor of Dr. Tronzo on all counts, finding, by special verdict, that the '262 patent was valid and willfully infringed by Biomet and that Biomet was liable under state law for breach of a confidential relationship, fraud, and unjust enrichment. The jury awarded Dr. Tronzo $3,805,000 for patent infringement, $4,757,000 in compensatory plus $15,000,000 in punitive damages for the breach of a confidential relationship, $7,134,000 in compensatory plus $20,000,000 in punitive damages for fraud, and $4,750,000 in compensatory damages for unjust enrichment. The district court then enhanced the jury's patent infringement award by 50% (pursuant to 35 U.S.C. § 284), dismissed the

unjust enrichment count, and capped the total recovery at $7,134,000 in compensatory damages plus $20,000,000 in punitive damages to avoid double recovery.

On appeal of the district court's decision, Biomet argued that some of the claims of the '262 patent were invalid and that the other claims asserted were not infringed. Biomet further contested liability with respect to the state law claims and the compensatory damages associated with those claims. Biomet did not appeal the punitive damage award.

In reviewing Biomet's appeal in *Tronzo I*, we reversed the district court's findings of patent infringement, holding that some of the asserted claims were invalid and the other claims were not infringed. In addition, we upheld the district court's finding of liability on the state law counts, but reversed its judgment with respect to the amount of compensatory damages, holding that Dr. Tronzo had failed to establish the necessary nexus between the damages claimed and the injury sustained. The damages award granted by the district court had been computed based on Biomet's profits. We concluded that this was an incorrect measure of Dr. Tronzo's damages under controlling state law. *See Tronzo I*, 156 F.3d at 1161, 47 USPQ2d at 1835.

Because the compensatory damages were computed incorrectly, we remanded to the district court to determine if there was evidence on the record to "prove any of the costs and injuries incurred by [Dr.] Tronzo, such as the costs of prosecuting the patent and lost business opportunities." *Id.* If no such evidence existed on the record, we left it to the district court to decide, at its discretion, whether it would be appropriate to take new evidence.

On remand, the district court reviewed the evidence on the record concerning damages and concluded that, aside from $520 in patent prosecution costs, there was a "complete absence of competent substantial evidence to support the vacated portion of the award." The district court considered

Dr. Tronzo's arguments that his lost business opportunities could be measured by looking to the value of Biomet's Mallory/Head system, which allegedly incorporated Dr. Tronzo's misappropriated ideas. The district court, however, rejected this argument, reasoning that such a measure of damages was foreclosed by our decision on appeal. Then, exercising its discretion, the district court declined to re-open the record to take new evidence concerning compensatory damages. In making this decision, the court reasoned that both parties had been represented by competent counsel and had made strategic decisions in this protracted litigation. Accordingly, the court set the compensatory damages at $520, the maximum amount supported by the evidence in the record.

In response to the district court's reduction of the compensatory damages award, Dr. Tronzo asserted that this order constituted a remittitur, advised the court that he rejected this remittitur, and moved for a new trial on the issue of compensatory damages. The court rejected Dr. Tronzo's motion.

Biomet then moved for a reduction in the amount of punitive damages, arguing that, given the reduction in the compensatory damages award, the disparity between the amounts of compensatory and punitive damages now rendered the punitive damages amount unconstitutional. The court considered Biomet's argument, applying the Supreme Court's criteria in *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 116 S.Ct. 1589, 134 L.Ed.2d 809 (1996), to determine whether the punitive damages award violated due process. Noting that the disparity in the awards was greater than 38,000 to 1, the court granted Biomet's motion, and reduced the punitive damages award to $52,000, the maximum amount of punitive damages it considered permissible: 100 times the compensatory damages.

On August 27, 1999, the district court entered its Third Amended Final Judgment, implementing the terms of its several orders and setting compensatory damages at $520, punitive damages at $52,000, and awarding prejudgment interest on the compensatory damages award. *Tronzo v. Biomet, Inc.*, No. 91-8175-CIV-HURLEY (S.D.Fla. Aug.27, 1999).

In response to the court's reduction in the punitive damages award, Dr. Tronzo again argued this constituted a remittitur, and moved for a new trial on punitive and compensatory damages. The district court denied this motion.

This appeal followed. Dr. Tronzo asserts legal error in the district court's reduction in the jury's awards of compensatory and punitive damages and, in light of these reductions, in the district court's denial of its motions for a new trial on damages.

DISCUSSION

I. *Jurisdiction and Standard of Review*

This appeal follows the remand of an earlier appeal of a matter arising, in part, under the patent laws. Since the jurisdiction of the district court was based, in part, on 28 U.S.C. § 1338 (1994), we have jurisdiction over this appeal under 28 U.S.C. § 1295(a)(1) (1994).

We review issues not unique to patent law according to the law of the regional circuit where appeals from the district court would normally lie. *Novamedix v. NDM Acquisition Corp.*, 166 F.3d 1177, 1180, 49 USPQ2d 1613, 1615 (Fed.Cir.1999); *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1301, 50 USPQ2d 1429, 1434 (Fed.Cir.1999) (holding district court's evidentiary decisions are reviewed under the law of the regional circuit). Accordingly, under controlling Eleventh Circuit law, we review the district court's

conclusions of law *de novo*. *Elston v. Talladega County Bd. of Educ.*, 997 F.2d 1394, 1405 (11th Cir.1993).

We also review *de novo* the interpretation of our own mandate in *Tronzo I*. *See Engel Indus. v. Lockformer Co.*, 166 F.3d 1379, 1382, 49 USPQ2d 1618, 1621 (Fed.Cir.1999).

II. *Compensatory Damages*

Dr. Tronzo claims legal error in the district court's reduction of the jury's award of compensatory damages from $7,134,000 to $520. Dr. Tronzo first argues that, under Florida law, a court may broadly consider any evidence of record that logically establishes the correct value of property taken by fraud. Dr. Tronzo contends that the district court should have considered as a proper measure of the value of the "property" taken from him either (1) payments by Biomet to Drs. Mallory and Head for their hip implant allegedly incorporating Dr. Tronzo's ideas or (2) Biomet's profits from its sales of the Mallory/Head device. Since this evidence amply supports the jury award, Dr. Tronzo asserts that the district court should have upheld the entire jury award of compensatory damages. Dr. Tronzo's arguments, however, are foreclosed by our decision in *Tronzo I*.

In *Tronzo I*, we held that the award of lost profits as damages for the torts asserted was inappropriate because it did not reflect the actual injury sustained by Dr. Tronzo. *Tronzo I*, 156 F.3d at 1161, 47 USPQ2d at 1835. Dr. Tronzo cannot now circumvent this holding by simply recasting his claim for damages measured by Biomet's profits as a claim for "out-of-pocket" losses. No matter how Dr. Tronzo frames this claim, he cannot establish the necessary nexus between his tort injuries and Biomet's profits from sales of the Mallory/Head device. Similarly, we cannot accept Dr. Tronzo's arguments that payments to Drs. Mallory and Head can provide a proper measure of his losses. Those payments were based on royalty payments for the Mallory/Head device

as well as other related products, and also reflect compensation for various services provided by the two doctors. As such, they are simply too remote and inconclusive to reflect the actual injury to Dr. Tronzo or to measure the amount of his damages. Rather, as we instructed in *Tronzo I*, Dr. Tronzo's injuries were to be measured by any record evidence properly establishing his losses, including evidence of his costs in prosecuting his patent and his lost business opportunities. *Id.*

On remand, the district court followed our instruction and reviewed the record for any such evidence. The court found that the only costs of patent prosecution supported in the record were $520. On appeal, neither party disputes this figure. As for "lost business opportunities," the district court found no evidence in support of Dr. Tronzo's claim of damages. *Id.* Dr. Tronzo confined his arguments to lost business opportunities measured by reference to either payments to Drs. Mallory and Head or Biomet's profits. The district court properly rejected such evidence. Thus, we see no error in the district court's computation of compensatory damages on remand.

In the alternative, Dr. Tronzo asserts that the district court should have applied the "wrongdoer rule" to support the full compensatory damages award. The wrongdoer rule is a principle explained in *Bigelow v. R.K.O. Radio Pictures*, 327 U.S. 251, 66 S.Ct. 574, 90 L.Ed. 652 (1946), whereby a "wrongdoer may not object to the plaintiff's reasonable estimate of the cause of injury and of its amount, supported by the evidence, because not based on more accurate data which the wrongdoer's misconduct has rendered unavailable." *Id.* at 265, 66 S.Ct. 574. Noting that Dr. Tronzo raised this argument for the first time on remand, the district court refused to entertain this argument. Dr. Tronzo claims legal error in the district court's refusal.

We reject this argument as well. As the district court explained, Dr. Tronzo made strategic decisions in the initial

trial concerning what evidence and arguments to advance in support of his theory of damages. We see no error, therefore, in the district court's refusal to address a new theory presented for the first time on remand. Moreover, even if the district court had chosen to address this theory, it would have been obliged to reject it. The wrongdoer rule does not obviate the requirement for a nexus between an injury and the claimed damages. *Bigelow*, 327 U.S. at 264, 66 S.Ct. 574 (noting that in applying the wrongdoer rule, the verdict must be based on a just and reasonable estimate of the damages, not speculation or guesswork.) Thus, this rule cannot be applied to justify Dr. Tronzo's reliance on either Biomet's profits or payments to Drs. Mallory and Head as a measure of its damages.

III. *Punitive Damages*

Dr. Tronzo argues legal error in the district court's reduction of the punitive damages award from $20,000,000 to $52,000. Dr. Tronzo asserts that, because Biomet never challenged the punitive damages award on appeal in *Tronzo I*, it necessarily waived any right to challenge this award on remand, and the initial punitive damages award became the "law of the case." Alternatively, Dr. Tronzo argues that the district court's reduction of the punitive damages award was outside the scope of our remand in *Tronzo I* and, therefore, revisiting this issue was prohibited by the mandate rule.

In response, Biomet asserts that it did not waive its constitutional challenge to the punitive damages and that neither the law of the case nor the mandate rule prevented the district court from revisiting this issue. By appealing the liability for the compensatory damages, Biomet argues, it implicitly challenged its liability for punitive damages as well. Biomet further argues that the doctrine of law of the case and the mandate rule do not preclude Biomet from asserting issues that only became ripe on remand. Because the disparity in compensatory and punitive damages first

arose on remand when the district court reduced the compensatory damages, Biomet argues this issue was never waived.

We agree that by failing to appeal the award of punitive damages in *Tronzo I*, Biomet waived this issue and was barred from raising it on remand. As an initial matter, Biomet's assertion that it challenged the punitive damages award indirectly in its initial appeal is not persuasive. It is uncontroverted that Biomet never appealed, nor questioned in any way, the *amount* of the punitive damages on appeal to this court in *Tronzo I*. Now, we need only consider whether Biomet's failure to raise this challenge in its first appeal waived its right to contest the amount of punitive damages in subsequent proceedings.

As noted above, Dr. Tronzo presents the issue of waiver in terms of either application of the doctrine of law of the case or an application of the mandate rule. In considering this question of waiver, we are guided by the approach of our recent decision in *Engel Industries, Inc. v. Lockformer Co.*, 166 F.3d 1379, 49 USPQ2d 1618 (Fed.Cir.1999). In that case, the alleged waiver concerned an issue that was within the scope of the initial judgment of the district court and was not appealed. We concluded that the issue was disposed of by the initial decision on appeal. While Dr. Tronzo argues waiver under law of the case, as well as the mandate rule, we confine our analysis to the determination of the scope of our mandate in *Tronzo I*. In other words, we consider whether the amount of punitive damages was an issue within the scope of the initial judgment of the district court. If so, it was necessarily incorporated within the scope of our mandate in *Tronzo I* and foreclosed from further review on remand.[1]

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[1] Other courts have attached different labels to the issue before this court. *See, e.g.*, Wright, Miller & Cooper, Federal Practice & Procedure § 4478 (1981); *Engel*, 166 F.3d at 1383, 49 USPQ2d at 1621 (citing cases

As described above, Biomet's main challenge to Dr. Tronzo's arguments of waiver is its contention that the constitutional issue was not ripe until remand and, therefore, could not have been appealed initially, and could not properly be considered within the scope of the initial judgment. Under these circumstances, Biomet argues, it is inappropriate to consider this issue waived or foreclosed by our mandate following the initial appeal in *Tronzo I*. And in further support of its contentions, Biomet points to our decisions in *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 42 USPQ2d 1897 (Fed.Cir.1997), and *Exxon Chemical Patents, Inc. v. Lubrizol Corp.*, 137 F.3d 1475, 45 USPQ2d 1865 (Fed.Cir.1998), where we held that issues not reached by the district court were not waived by a failure to raise these issues on a first appeal.

We are unpersuaded by Biomet's arguments. The present case is not comparable to *Laitram or Exxon*. In each of those cases, the trial court had not addressed the contested issue and, therefore, the issue was not deemed within the scope of the judgment initially appealed. *Laitram*, 115 F.3d at 951-52; *Exxon*, 137 F.3d at 1478-79. In the present case, however, the district court *did* consider the contested issue because it granted an award of punitive damages based on the jury verdict.[2] Despite Biomet's arguments to the contrary,

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discussing "waiver" and "law of the case" in support of its application of the mandate rule); *United States v. Polland*, 56 F.3d 776, 779 (7th Cir.1995) (explaining that law of the case doctrine is a corollary to the mandate rule). Many courts, however, have addressed this issue as we do, as an application of the mandate rule. *See Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 167-68, 59 S.Ct. 777, 83 L.Ed. 1184 (1939); *Biggins v. Hazen Paper Co.*, 111 F.3d 205, 209 (1st Cir.1997); *Mason*, 182 F.3d at 1214; *Eason v. Thaler*, 73 F.3d 1322, 1329 (5th Cir.1996). We conclude that the present issue is best labeled and treated as an application of the mandate rule.

[2] Moreover, unlike the present case, in *Laitram*, the alleged waiver was due to the *appellee's* failure to raise an issue in the initial appeal. In

the appropriateness of the amount of punitive damages was then ripe for legal challenge. And indeed, Biomet did challenge the amount of punitive damages at that time, arguing that the amount of punitive damages was excessive and not supported by the weight of the evidence. In its motion for judgment as a matter of law and for a new trial, Biomet argued:

> Even though at best the only damages that Dr. Tronzo could have suffered in this case would have been a few thousand dollars in patent costs, the jury awarded a $7.1 million compensatory award coupled with a $20 million punitive award.

Thus, Biomet's ripeness argument is misplaced. The district court had ruled on the issue of punitive damages in its initial decision and had further responded to Biomet's challenge to the appropriateness of the amount of punitive damages. Then, while disputing various rulings of the district court on appeal, Biomet chose not to contest the amount of punitive damages. Because Biomet failed to raise this issue, clearly implicated in the initial decision of the district court, our mandate in *Tronzo I* acted to prevent Biomet from raising this issue on remand or in any future proceedings in this litigation. *See Engel*, 166 F.3d at 1383, 49 USPQ2d at 1621.

Finally, while Biomet did not initially challenge the amount of punitive damages on constitutional grounds, it could have done so. The unconstitutionality of a large punitive damages award is not predicated on any specific ratio of punitive damages to compensatory damages. Rather, it is judged according to the three guideposts outlined by the Supreme Court in *BMW of North America, Inc. v. Gore*, 517

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concluding that the issue was not waived in that case, we noted that appellees do not select the issues to be appealed, and, therefore, the policies of waiver are less implicated by an appellee's failure to raise an issue. *Laitram*, 115 F.3d at 954, 42 USPQ2d at 1902-03.

U.S. 559, 116 S.Ct. 1589, 134 L.Ed.2d 809, namely, the reprehensibility of the conduct, the ratio of punitive damages to actual harm inflicted on the plaintiff, and the comparison of punitive damages to the civil or criminal penalties imposed for comparable conduct. *Id.* at 574-584, 116 S.Ct. 1589. Applying these guideposts, Biomet could have raised a constitutional challenge in *Tronzo I* if it considered the punitive damages, which the jury awarded based on its finding of wanton or willful conduct, to be excessive. Biomet could have asserted that, if the compensatory damages award is lowered, constitutional requirements mandate that the punitive award be commensurately adjusted; *see BMW*, 517 U.S. 559, 116 S.Ct. 1589. Biomet did not make any such challenge.

Thus, we conclude that Biomet's belated attack on the punitive damages award was foreclosed by our mandate in *Tronzo I*. This, however, does not entirely end our inquiry. Law of the case and the mandate rule are not always considered an unassailable limit on an appellate court's jurisdiction. Rather, these doctrines are better viewed as prudential doctrines that direct a court's discretion, but do not necessarily limit a court's power. *Crocker v. Piedmont Aviation, Inc.*, 49 F.3d 735, 739-40 (D.C.Cir.1995); *Heathcoat v. Potts*, 905 F.2d 367 (11th Cir.1990); *Eli Lilly and Co. v. Home Ins. Co.*, 794 F.2d 710, 717 (D.C.Cir.1986); *Arizona v. California*, 460 U.S. 605, 618, 103 S.Ct. 1382, 75 L.Ed.2d 318 (1983). Accordingly, it may be appropriate in some circumstances for a court to revisit an issue that would otherwise be deemed waived and beyond the scope of an appellate mandate. Such circumstances, however, must be exceptional. *See id.* Otherwise, the underlying rationales for the doctrines of law of the case and the mandate rule would be thwarted.[3] However, courts have considered revisiting

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[3] Such rationales include the need for (and the litigant's right to) finality, judicial economy, the consistency of judicial decisions, the

issues otherwise foreclosed in circumstances where there has been a substantial change in the evidence. *See id.*

Here, with the reduction in the award of compensatory damages from $7,134,000 to $520, Biomet argues, the ratio of the punitive damages award ($20,000,000) to compensatory damages went from 2.8 to 1 to 38,000 to 1. According to Biomet, its challenge to the punitive damages on remand was a "totally different challenge" than it might have raised when the ratio was only 2.8 to 1.

We cannot, however, accept Biomet's contention. True, 38,000 to 1 is a high ratio, and such a particularly high ratio will certainly "raise a suspicious judicial eyebrow." *Id.* at 583, 116 S.Ct. 1589 (quoting *TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443, 481, 113 S.Ct. 2711, 125 L.Ed.2d 366 (1993) (O'Connor, J., dissenting)). But the constitutionality of a punitive damages award is not simply a matter of numbers or ratios. *BMW*, 517 U.S. at 582, 116 S.Ct. 1589 ("We have consistently rejected the notion that the constitutional line is marked by a simple mathematical formula. . . ."). Rather, as noted above, Biomet's challenge to the amount of punitive damages, viewed under Supreme Court law in *BMW*, involves a consideration of three "guideposts," only one of which is the ratio of compensatory to punitive damages. The court must also consider the reprehensibility of the conduct and any civil or criminal penalties for similar conduct. And of these three guideposts, it was not the ratio of punitive to compensatory damages, but the reprehensibility of the conduct that was deemed by the

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discouragement of piecemeal adjudication, and the prevention of the perverse result of allowing a litigant to be in a better position by failing to raise an issue in an initial appeal. *See, e.g., Arizona*, 460 U.S. at 619, 103 S.Ct. 1382; *Northwestern Indiana Tel. Co., Inc. v. Fed. Communications Comm'n*, 872 F.2d 465, 470 (D.C.Cir.1989); *Heathcoat*, 905 F.2d at 370; *Crocker*, 49 F.3d at 735 (D.C.Cir.1995).

Supreme Court to be "the most important indicium of the punitive damages award." *Id.* at 575, 116 S.Ct. 1589. With respect to this most important guidepost, we note that Biomet never challenged on appeal the jury's finding of wanton or willful conduct in support of the punitive damages liability.

Moreover, Biomet's focus on the ratio of damages presents even this limited issue too simplistically. The guidepost articulated by the Supreme Court was the ratio of punitive damages to "actual and *potential* damages." *BMW*, 517 U.S. at 582, 116 S.Ct. 1589 (emphasis added). In discussing this guidepost, the Court elaborated:

> [L]ow awards of compensatory damages may properly support a higher ratio than high compensatory awards, if, for example, a particularly egregious act has resulted in only a small amount of economic damages. A higher ratio may also be justified in cases in which the injury is hard to detect or the monetary value of noneconomic harm might have been difficult to determine.

Id. In the present case, in discussing the reprehensibility of Biomet's conduct, the district court pointed to record evidence in support of Dr. Tronzo's claim that Biomet misappropriated his ideas and commented that "Biomet misled Dr. Tronzo and substantially profited thereby." The court then went on to note that the compensatory damages "[did] not adequately reflect the actual harm caused." In addition, in regard to the limited record evidence of compensatory damages, the court further commented that the parties were represented by "competent counsel who made strategic decisions throughout the course of protracted litigation," indicating competent evidence of damages may have existed, but was never introduced. Thus, there is a strong suggestion in the record that the potential compensatory damages may have been much higher than what was actually awarded.

Overall, therefore, we cannot conclude that the reduction of the amount of compensatory damages on remand created such a substantial change in the facts to allow the district court to revisit the punitive damage award. Accordingly, we conclude that the district court erred in reducing the amount of punitive damages and that such action was foreclosed by our mandate in *Tronzo I*. We reverse the district court's judgment on this matter and reinstate the original $20,000,000 award of punitive damages.

IV. *Remittitur*

Finally, Dr. Tronzo claims legal error in the district court's rejection of his claim that the reduction in the compensatory and punitive damages awards was a remittitur, and in its failure to order a new trial on these issues. Because we have reversed the court's reduction of punitive damages, Dr. Tronzo's claim with respect to these damages is now moot. Thus, we only consider Dr. Tronzo's claim with respect to the compensatory damages.

Dr. Tronzo argues that under the rule announced in *Hetzel v. Prince William County*, 523 U.S. 208, 118 S.Ct. 1210, 140 L.Ed.2d 336 (1998), when a court determines that the evidence does not support a damages award, and the damages must be recalculated, the court is imposing a remittitur. If the court then imposes a lesser amount of damages than the jury awarded, and the plaintiff does not accept this reduction, the Seventh Amendment to the United States Constitution requires that the plaintiff be granted the option of a new trial. Dr. Tronzo argues that he rejected the district court's remittitur on the compensatory damages award and moved for a new trial. He contends that the district court's denial of his request for a new trial was therefore in error.

In response, Biomet points to Eleventh Circuit law distinguishing the *Hetzel* decision. *Johansen v. Combustion Eng'g*, 170 F.3d 1320, 1330-31 (11th Cir.1999). Biomet

argues that the analysis in *Johansen* should guide this court in considering whether the reduction in compensatory damages in this case constituted a remittitur. According to the *Johansen* court, "the Seventh Amendment is not offended" when the reduction in a damages award is necessitated by legal error. *Johansen*, 170 F.3d at 1330. The *Johansen* court further noted that *Hetzel* considered a classic remittitur situation, where the judge had exercised his discretion to reduce a damages award that he felt was not adequately supported by the evidence. *Id.* In contrast, the verdict in the case before the *Johansen* court was reduced as legally impermissible under the Constitution. Similarly, Biomet argues that the reduction in compensatory damages in the present case was a purely legal issue. As a matter of law, there was no support for the compensatory damages award beyond that awarded by the district court. Thus, there was no issue for the jury to reconsider.

We agree with Biomet that the reduction in compensatory damages did not constitute a remittitur entitling Dr. Tronzo to a new trial. While Supreme Court law, to the extent articulated in *Hetzel*, applies to remittitur situations, we adopt for purposes of this case the controlling Eleventh Circuit's conclusion that *Hetzel* did not consider the case of the reduction in a damages award on purely legal grounds.

In *Hetzel*, a jury had found for the plaintiff on her civil rights claim under title VII of the Civil Rights Act and awarded $500,000 in damages. Considering this award excessive in light of the limited evidence of harm, the court reduced this award to $50,000. This discretionary decision necessarily involved a reweighing of the evidence and reassessment of the appropriate amount of damages warranted by the facts decisions traditionally left to a jury.

In contrast, in the present case, the district court did not reweigh any evidence, nor did it exercise its discretion in computing the damages award. Instead, the court awarded the

maximum damages possible given the lack of competent evidence in the record. The award of $520 in compensatory damages was based on the total costs for prosecuting the '780 patent, as evidenced by the record. The parties do not dispute this figure. The only true dispute here is over the proper amount of compensatory damages for Dr. Tronzo's "lost business opportunities." But, as the district court explained, Dr. Tronzo never introduced any legally competent evidence to support any such damages award. The evidence in the record that Dr. Tronzo attempted to rely on was too remote and inconclusive to reflect the actual injury incurred by Dr. Tronzo or to measure his damages. Thus, re-presenting this issue to the jury would have been pointless because, as a matter of law, the compensatory damages award could not exceed the $520 already awarded. *Cf. Johansen*, 170 F.3d at 1332 n. 19 (commenting that giving the plaintiff the option of a new trial would be of no value because the award was already the maximum permissible under the Constitution).

In conclusion, we see no error in the district court's refusal to grant Dr. Tronzo a new trial in light of its reduction in the compensatory damages award.

CONCLUSION

For the reasons stated above, we affirm the district court's judgment as to the award of compensatory damages and its rejection of Dr. Tronzo's motion for a new trial as to these damages, and we reverse the court's reduction in the punitive damages award, reinstating the original punitive damage award of $20,000,000.

Each party shall bear its own costs.

AFFIRMED-IN-PART AND REVERSED-IN-PART

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHWESTERN DISTRICT OF FLORIDA

CASE NO. 91-8175-CIV-HURLEY

DR. RAYMOND G. TRONZO,
Plaintiff,

v.

BIOMET, INC.,
Defendant.

ORDER GRANTING DEFENDANT'S MOTION TO REDUCE PUNITIVE DAMAGES AWARD, DENYING PLAINTIFF'S MOTION TO REINSTATE JURY AWARD ON UNJUST ENRICHMENT CLAIM, AND GRANTING PLAINTIFF'S REQUEST FOR PREJUDGMENT INTEREST

THIS CAUSE is before the court upon defendant's motion to reduce an award of punitive damages and plaintiff's motion to reinstate the jury award on his claim for unjust enrichment. In addition to written arguments, the court has had the benefit of oral argument on both issues.

I. Procedural Background

Following an appeal by defendant, Biomet, Inc. ("Biomet"), the Federal Circuit vacated the jury's compensatory damages award on plaintiff's ("Dr. Tronzo") claims for fraud and breach of confidential relationship and remanded for this court "to determine appropriate award of damages." [1] In its Order Implementing Mandate issued April

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[1] The Federal Circuit also reversed the jury's finding of liability on plaintiff's patent claim, and that claim is no longer part of the case.

26, 1999, this court found plaintiff's damages to be his expenses for prosecuting the patent and awarded him $520 in compensatory damages. The court also reinstated the punitive award of $20 million, but stayed entry of final judgment to allow the parties to challenge the order on constitutional grounds. Biomet moved to reduce the punitive award on the ground that it violates due process. Dr. Tronzo opposed reducing the punitive award and, alternatively, moved to reinstate the jury's verdict in his favor on his claim for unjust enrichment. Dr. Tronzo also requested the court award prejudgment interest on the compensatory award, and Biomet conceded plaintiff's entitlement to said interest.

II. Legal Analysis

A. Power to Amend Punitive Damages Award

Plaintiff initially argues that the court lacks jurisdiction to amend the punitive damages award because defendant did not appeal the award as part of the appeal on liability. Plaintiff presents four theories that bar the court from reconsidering the award: waiver, judicial admission, law of the case, and the mandate rule. Defendant responds that although it is foreclosed from challenging Dr. Tronzo's entitlement to punitive damages, the issue of constitutional excessiveness did not arise until the court reduced the compensatory damage award to $520. Therefore, defendant contends, none of plaintiff's theories applies to this case.

The court agrees with defendant that the due process issue regarding the $20 million punitive award did not come into being until this court entered its order reducing the compensatory damage award to $520. Biomet could not have waived, and this court could not have considered, the excessiveness issue before the compensatory award was reduced. Thus, in addressing the excessiveness issue at this juncture, the court believes it is not exceeding its authority nor acting contrary to the mandate of the appellate court.

Cf. Gregg v. U.S. Indus., Inc., 715 F.2d 1522, 1534, *modified*, 721 F.2d 345, 346 (11th Cir. 1983) (after upholding jury verdict but vacating compensatory award, appellate court remanded for district court to reconsider punitive award which had not been briefed or argued to appellate court); *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 951 (Fed. Cir. 1997) (upon remand, district court may address any issues not actually decided or decided by necessary implication). Accordingly, the court will address the punitive damages issue.

B. Punitive Damages

1. *Constitutional Excessiveness*

The purposes of awarding punitive damages are to punish unlawful conduct and deter repetition of that conduct. *See BMW of North America, Inc. v. Gore*, 116 S. Ct. 1589, 1595 (1996). Despite these goals, the Supreme Court has held that there are some punitive awards that are so excessive they violate the Due Process Clause of the Fourteenth Amendment. *TXO Production Corp. v. Alliance Resources Corp.*, 113 S. Ct. 2711, 2718 (1993). To assess whether a given punitive damages award comports with due process, courts must consider three guideposts:

1. the degree of reprehensibility of the defendant's conduct;
2. the disparity between the actual harm suffered and the punitive award, often expressed as a ratio; and
3. a comparison of the punitive award with potential civil and criminal penalties available for the defendant's conduct in the instant case and in comparable cases.

See BMW, 116 S. Ct. at 1598-99; *Johansen v. Combustion Eng'g, Inc.*, 170 F.3d 1320, 1333 (11th Cir. 1999).

The most important of the three factors is the degree of reprehensibility. *See BMW*, 116 S. Ct. at 1599. "Indicia" of reprehensibility include: "deliberate false statements, acts of affirmative misconduct or concealment of evidence of improper motive, and repetition of tortious conduct." *Johansen*, 170 F.3d at 1335 (*citing BMW*, 517 U.S. at 576). Dr. Tronzo argues that Biomet's conduct was especially reprehensible because Biomet: (1) obtained approval of the Mallory/Head acetabular cup by making false statements to the Food and Drug Administration ("FDA") regarding the method of surgical implantation for the device, which in turn risked the health of approximately 26,000 patients; (2) stole Dr. Tronzo's confidential information; and (3) earned $88 million from it's misappropriation of Dr. Tronzo's ideas. Biomet contends that its conduct was not very reprehensible because it caused only a small amount of economic harm ($520) to only one person (Dr. Tronzo). Further, Biomet claims there is no evidence in the record that any person was ever injured by the Mallory/Head cup and that the Federal Circuit's opinion negated the nexus between defendant's profits and plaintiff's injury.

At the court's request, plaintiff filed a supplemental brief [DE #522, filed July 2, 1999] detailing evidence in the record that he believes documents the egregiousness of Biomet's conduct. In his supplement, plaintiff first points to testimony by Dr. Head that indicates Biomet developed a finned cup by misappropriating Dr. Tronzo's ideas. *See* Pla.'s Supp. Ex. A(8), (11) (Dr. Head was working on a threaded cup and had no experience with finned cups; and Biomet developed a prototype of a finned cup within one week after meeting with Dr. Head although it took Dr. Tronzo years to develop a similar cup). Second, plaintiff identifies testimony that shows Biomet stated to the FDA that the Mallory/Head cup was to be implanted by using bone cement when in reality the Mallory/Head cup was not designed for cemented use and the use of cement was dangerous due to the likelihood of

cracking. *See* Pla.'s Supp. Ex. B(1), (3). Further, Biomet marketed the cups to physicians for use without cement. *See* Pla.'s Supp. Ex. B(4), (5), (6), (7). While this evidence shows that Biomet misappropriated Dr. Tronzo's ideas and, at a minimum, made some misstatements to the FDA, it does not show, as plaintiff claims, that patients were put at risk. To the contrary, it shows that the cups were implanted in the manner that they were designed, *i.e.*, without cement, and plaintiff has not pointed to any evidence documenting injury to patients who received the implant.

The second factor to consider in determining whether a punitive award is constitutionally excessive is the disparity between the actual harm suffered and the punitive award, usually expressed as a ratio. It is now settled that punitive damages must bear a "reasonable relationship" to compensatory damages. *See BMW*, 116 S. Ct. at 1601 (collecting cases). As it stands now, the ratio of the punitive award ($20 million) to the actual injury ($520) is greater than 38,000 to 1. For comparison, the Court in *BMW* found a ratio of 500 to 1 to violate due process, whereas the Eleventh Circuit in *Johansen* upheld a ratio of 100 to 1. Although there is no bright line test establishing a proper ratio, without question the $20 million punitive award in this case does not bear a reasonable relationship to the $520 compensatory award and, therefore, it must be reduced. The more difficult issue is the appropriate level of reduction.

The third guidepost requires the court to compare the civil and criminal penalties that were authorized or imposed in the same case and in comparable cases. *See BMW*, 116 S. Ct. at 1603, *Johansen*, 170 F.3d at 1337. There is no record evidence that Biomet was fined either criminally or civilly in this case. Nonetheless, a helpful indicator is the amount of available statutory fines. *See id.* Defendant compares Florida's statute on punitive damages which limits the punitive to compensatory ratio in most cases to 3 to 1.

See Fla. Stat. § 768.73. The court has also considered the statutory penalties for violating the Florida Deceptive and Unfair Trade Practices Act ("Unfair Trade Act") and the Florida Uniform Trade Secrets Act ("Trade Secrets Act") and for making false statements to the FDA. The Unfair Trade Act permits a fine of not more than $10,000 for each unlawful act, while the Trade Secrets Act permits exemplary damages in an amount double any compensatory award for malicious misappropriation of a trade secret. *See* Fla. Stat. §§ 501.2075, 688.004. Violations of the Food, Drug, and Cosmetic Act with intent to defraud or mislead, which would likely include false statements to the FDA about a medical device, can lead to imprisonment for up to three years and a fine of $10,000. *See* 21 U.S.C. §§ 331, 333(a)(2).

Plaintiff analogizes to the case of *United States v. C.R. Bard Inc.*, 848 F. Supp. 287 (D. Mass. 1994). The *C.R. Bard* case involved a corporate defendant who was criminally prosecuted for making false statements to the FDA and using unapproved medical devices in various unlawful ways. The defendant's scheme lasted over two years and was linked to several injuries and even some patients' deaths. For its conduct, the defendant paid criminal fines and civil settlements of approximately $61 million, an amount "equal to the estimated gross sales" of the offending devices. *Id.* at 291. Because the defendant in *C.R. Bard* risked patients' health and caused actual injury to patients, the conduct at issue there was substantially more reprehensible than Biomet's conduct here.

2. *Reducing the Award*

When a court reduces a jury award of damages on constitutional grounds, it may only reduce the award to the maximum amount the Constitution will permit. *See Johansen*, 170 F.3d at 1332. Biomet mislead Dr. Tronzo and substantially profited thereby. Although the consequences are unclear, Biomet also made false statements to the FDA.

As the jury found, this conduct warrants punitive damages. The court's duty at this stage is limited to ensuring that the amount awarded does not violate due process. In this case, the amount of compensatory damages does not adequately reflect the actual harm caused. Thus, a ratio greater than the Florida's typical 3 to 1 is appropriate. Upon consideration of the purposes of punitive damages, the substantial means of Biomet, and the three guideposts, giving the greatest weight to the reprehensibility of defendant's conduct, the court concludes that the maximum amount of punitive damages the Constitution will permit in this case is $52,000, an amount equaling a ratio of 100 to 1.

C. Unjust Enrichment Claim

Alternatively, plaintiff moved to reinstate the jury's verdict on his equitable claim for unjust enrichment. The jury originally awarded plaintiff $4,750,000 on this claim. Following the verdict, the court dismissed the unjust enrichment claim on the ground that plaintiff had an adequate remedy at law. *See* Order on Adequacy of the Remedies at Law, DE #304, filed June 24, 1996. Plaintiff now argues that in light of the $520 compensatory award, his legal remedy is no longer adequate because it does not compensate him for the benefit he conferred on defendant. With no small amount of irony, defendant argues the court does not have the power to address this issue because plaintiff did not appeal it. In addition, even if court could address it, defendant argues the issue of the adequacy of remedies depends not on the amount recovered but on the availability of a plain, speedy, and efficient remedy at law.

The court agrees with defendant that plaintiff has waived its right to have the jury verdict reinstated by failing to cross-appeal the issue. *See Heathcoat v. Potts*, 905 F.2d 367, 370 (11th Cir. 1990). Even if the court did have the power to address the issue, the court's Order on Adequacy of the Remedies at Law still applies. The court dismissed plaintiff's

unjust enrichment claim not because the damages were redundant but because plaintiff's remedy at law was adequate. In this respect, nothing has changed. Thus, the unjust enrichment claim will not be reinstated.

III. Decretal Provisions

Based on the foregoing reasons, it is hereby ORDERED and ADJUDGED:

1. Defendant's motion to reduce punitive damages award [DE #503] is GRANTED.
2. Punitive damages will be awarded by separate order in the amount of fifty-two thousand dollars ($52,000).
3. Plaintiff's motion to reinstate jury award on claim of unjust enrichment [DE #517] is DENIED.
4. Plaintiff's request for prejudgment interest on the compensatory damages award [DE #504] is GRANTED. Said interest will be awarded by separate order.
5. Plaintiff's motion to strike the affidavit of Daniel P. Hann [DE #518] is GRANTED.

DONE and SIGNED in Chambers at West Palm Beach, Florida this 25th day of August, 1999.

/s/ Daniel T. K. Hurley
DANIEL T. K. HURLEY
United States District Judge

Copy furnished to:
L. Martin Reeder, Esq.
Donald R. Dunner, Esq.
Robert S. Hackelman, Esq.
James F. Davis, Esq.

APPENDIX C

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No: 91-8175-CIV-HURLEY

DR. RAYMOND TRONZO,
Plaintiff/Appellee,

v.

BIOMET, INC.,
Defendant/Appellant.

ORDER IMPLEMENTING MANDATE

THIS MATTER is before the court on remand from an August 28, 1998 decision of the United States Court of Appeals for the Federal Circuit and that Court's mandate of October 26, 1998. Subsequent to issuance of the mandate, defendant/appellant Biomet, Inc. ("Biomet") filed a motion for relief from judgments pursuant to the Federal Circuit's decision, and plaintiff/appellee Dr. Raymond Tronzo ("Dr. Tronzo") filed a motion for judgment or new trial on punitive damages. On November 4, 1998, pursuant to the Federal Circuit's mandate, the court vacated judgment on Dr. Tronzo's claim for patent infringement, entered final judgment for Biomet on that claim, vacated any injunction regarding the subject patent and reserved jurisdiction over the matters remaining for the court's consideration. Thereafter, on February 12, 1999, the court heard oral argument on the above-referenced cross-motions of the parties. Following that argument, the court ordered the parties to file supplemental briefs identifying record evidence of Dr. Tronzo's damages,

consistent with the Federal Circuit's discussion of the proper measure of damages.

To start with, "[n]o principle of law is better established than the rule that a District Court is bound 'by the decree [of the Court of Appeals] . . . and must carry it into execution, according to the mandate.' " *Mays v. Burgess*, 152 F.2d 123, 124 (D.C. Cir. 1945) (citation omitted). *See also Briggs v. Pennsylvania R. Co.*, 334 U.S. 304 (1948); *Jackson v. Motel 6 Multipurpose, Inc.*, 130 F.3d 999 (11th Cir. 1997). This court is mindful of its obligation and has shriven to fulfill it. Of course, should either party believe that the court has failed to achieve this objective, each party remains free to file motions with the Federal Circuit to enforce or clarify its mandate.

In its opinion, the Federal Circuit stated: "We conclude that the award of lost profits (as a constructive trust) or as a reasonable royalty as damages for the torts asserted is inappropriate because it does not properly reflect Tronzo's actual injury." The opinion goes on to quote this court regarding Dr. Tronzo's injury: "While Biomet's argument that a patent is not a detriment has perhaps a superficial appeal, it neglects the costs to Dr. Tronzo of seeking his patent, defending it on re-examination, and of foregoing opportunities to pursue relationships with other companies or to pursue other means for bringing his acetubular cup to market." Although the Federal Circuit agreed with this characterization of Dr. Tronzo's injury, it explained that this injury is not related to the lost profits damages that this court awarded. *See Rucker v. Garlock, Inc.*, 672 So.2d 100, 102 (Fla. 3d DCA 1996) ("In order for an award of damages to be proper, there must be some nexus between the damages claimed and the injury incurred"). The Federal Circuit also noted that the injury sustained by Dr. Tronzo for breach of confidential relationship was likewise unrelated to lost profits damages. Thus, having determined that the costs and injuries actually incurred by Dr. Tronzo—"such as the costs of

prosecuting the patent and lost business opportunities"—were the proper measure of damages, the Federal Circuit noted that there was "no evidence" to support such damages in the record before it. Therefore, the Federal Circuit remanded the case to this court with directions to determine whether such evidence existed in the complete record.

A review of the trial transcript shows that plaintiff did offer evidence supporting the costs of obtaining the subject patent. Eugene Chovanes, Dr. Tronzo's patent attorney, paid fees of five hundred and twenty dollars ($520.00) to the Patent and Trademark Office. Plaintiff's Trial Exhibit 903, at A32-34, A154 and A166. Bionet points out that there is no evidence in the record that Dr. Tronzo reimbursed Mr. Chovanes for such payment. Biomet admits, however, that this may be inferred from the record. The court believes this is a reasonable and permissible inference, and that this evidence reflects the "injury" sustained by Dr. Tronzo pursuant to his fraud claim and his claim for breach of confidential relationship.

The more challenging task required of this court is determining what evidence supports Dr. Tronzo's "lost business opportunities," consistent with the Federal Circuit's mandate. "Lost business opportunities" could, of course, mean Dr. Tronzo's lost opportunities to pursue relationships with companies *other than Biomet* and *other* means of bringing the acetubular cup to market. However, Dr. Tronzo has not identified any evidence of this sort in the record. Rather, he urges the court to consider his "lost business opportunities" to be the loss of opportunities he would have had to transact *with Biomet* had Biornet not acted tortiously. Dr. Tronzo asserts there is substantial record evidence of the measure of his loss, thus conceived.

In support of the argument that he is entitled to the "value" of the property obtained by Biotnet, or denied to him, Dr. Tronzo cites *Bigelow v. RKO Radio Pictures*, 327 U.S. 251 (1946). In *Bigelow*, the United States Supreme Court

discussed what is known as the "wrongdoer rule." The rule requires that a wrongdoer bear the risk of uncertainty that his own wrong has created and that prevents precise computation of damages. The United States Supreme Court elaborated on the wrongdoer rule as follows:

> [T]he wrongdoer may not object to the plaintiff's reasonable estimate of the cause of injury and of its amount, because not based on more accurate data which the wrongdoer's misconduct has rendered unavailable. And in cases where a wrongdoer has incorporated the subject of a plaintiff's patent or trademark in a single product to which the defendant has contributed other elements of value or utility, and has derived profits from the sale of the product, this Court has sustained recovery of the full amount of defendant's profits where his own wrongful action has made it impossible for the plaintiff to show in what proportions he and the defendant have contributed to the profits.

Bigelow, 327 U.S. at 265 (citations omitted). Without commenting on the merits of this argument, the court notes that it does not appear that Dr. Tronzo made this argument to the Federal Circuit. Furthermore, the Federal Circuit's decision forecloses the argument that Dr. Tronzo's "lost business opportunity" can be measured by reference to evidence regarding the "value" of the Mallory/Head System or Dr. Tronzo's contribution to it.

This court believes that when the Federal Circuit instructed it to review the record for evidence of lost business opportunities, it had in mind lost opportunities to pursue development with an entity other than Biomet.[1] Because Dr.

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[1] This is borne out by Dr. Tronzo's own appellate brief in which he talks about "lost business opportunities" as the cost of "foregoing opportunities to pursue relationships with *other* companies to pursue *other* means for bringing his acetubar cup to the market." Brief of Plaintiff/Appellee at 45 (emphasis added).

Tronzo has not identified any such evidence in the trial record, the court rules that he failed to present at trial any evidence of his lost business opportunities. The court acknowledges that it has been granted discretion by the Federal Circuit to take new evidence on damages. Exercising its discretion, the court declines to open the record and take new evidence. Both parties in this case were represented by competent counsel who made strategic decisions throughout the course of protracted litigation and an extended trial. They have had a fair and full opportunity to develop the record, and it should be evaluated as it now stands.

Thus, the court holds that Dr. Tronzo is entitled to an award of compensatory damages in the amount of five hundred and twenty dollars ($520.00), which amount reflects the "injury" sustained by Dr. Tronzo with respect to his fraud claim and his claim for breach of confidential relationship. In accord with the order of June 19, 1996, the court will not allow Dr. Tronzo to recover twice for the same injury. Accordingly, the award of compensatory damages will be capped at five hundred and twenty dollars for both claims. The parties, in supplemental memoranda to be submitted, shall address the issue of pre-judgment interest on the compensatory damages award and calculation of the same.

Turning next to the issue of punitive damages, the court by order dated October 29, 1996, awarded Dr. Tronzo fifteen million dollars ($15,000,000) in punitive damages on his claim for breach of a confidential relationship and twenty million dollars ($20,000,000) in punitive damages on his claim for fraud. The court capped the punitive damages award at twenty million dollars, however, in accord with an earlier order rejecting redundant punitive damages. Dr. Tronzo's entitlement to punitive damages was not challenged on appeal and the Federal Circuit's mandate does not disturb the punitive damages award. Accordingly, the court will reinstate the award of punitive damages in the amount of twenty

million dollars. Biomet has indicated its intention to attack the punitive damages award because of the disparity that will exist between compensatory and punitive damages. Dr. Tronzo, on the other hand, has expressed the view that Biomet failed to challenge punitive damages on appeal and, therefore, is estopped to contest their validity.

Anticipating motions from both parties, it is ORDERED and ADJUDGED that:

1. The Second Amended Final Judgment on Plaintiff's Claims Under State Law [DE #377] is VACATED in its entirety.

2. Judgment shall be entered for plaintiff, Dr. Tronzo, on his claims for breach of a confidential relationship and for fraud in the amount of five hundred and twenty dollars ($520.00) in compensatory damages.

3. Judgement shall be entered for plaintiff, Dr. Tronzo, on his claims for breach of a confidential relationship and for fraud in the amount of twenty million dollars ($20,000,000) in punitive damages.

4. The parties shall have ten days from the date of this order to file any motions regarding this order. Memoranda in support of said motions shall not exceed fifteen (15) pages.

5. Pursuant to Rule 58 of the Federal Rules of Civil Procedure, the Clerk of the Court is directed to prepare final judgment consistent with this order, but to forestall entry of judgment until further order of this court.

DONE and SIGNED in Chambers at West Palm Beach, Florida this 26th day of April, 1999.

/s/ Daniel T. K. Hurley
DANIEL T. K. HURLEY
UNITED STATES DISTRICT JUDGE

Copies provided to: L. Martin Reeder, Jr., Esq.
Donald R. Dunner, Esq.
Robert S. Hackelman, Esq.
Connis O. Brown III, Esq.

APPENDIX D

UNITED STATES COURT OF APPEALS
FEDERAL CIRCUIT

Nos. 97-1117, 97-1177 and 97-1213

DR. RAYMOND G. TRONZO,
Plaintiff-Appellee,

v.

BIOMET, INC.,
Defendant-Appellant.

Aug. 28, 1998
Rehearing Denied Oct. 19, 1998

Before RICH and NEWMAN, Circuit Judges, and ARCHER, Senior Circuit Judge.*

Opinion for the court filed by Senior Circuit Judge ARCHER. Concurring opinion filed by Circuit Judge NEWMAN.

ARCHER, Senior Circuit Judge.

Biomet, Inc. (Biomet) appeals the judgment of the United States District Court for the Southern District of Florida, 91-CV-8175, holding Biomet liable for infringement of U.S. Patent No. 4,743,262 ('262 patent) and, under Florida law, for breach of a confidential relationship and fraud. The court determined that claims 1, 2, 9, and 10 of the '262 patent were not invalid or unenforceable for inequitable conduct and that Biomet's device infringed claims 1 and 9 literally and claims

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* Senior Circuit Judge Glenn L. Archer, Jr. vacated the position of Chief Judge on December 24, 1997.

1, 2, 9, and 10 under the doctrine of equivalents. Because claims 1 and 9 are not entitled to the filing date of the '262 patent's parent application and are anticipated by intervening prior art, we reverse the district court's judgment that these claims are not invalid. Because infringement under the doctrine of equivalents would vitiate the conical limitation in claims 2 and 10, we reverse the district court's judgment of infringement as to these claims. Finally, because substantial evidence supports the jury's verdicts regarding the state law causes of action but the damages awarded thereunder are not commensurate with Dr. Tronzo's (Tronzo) injury, we affirm-in-part and vacate-in-part on those issues, and remand for reconsideration of damages.

BACKGROUND

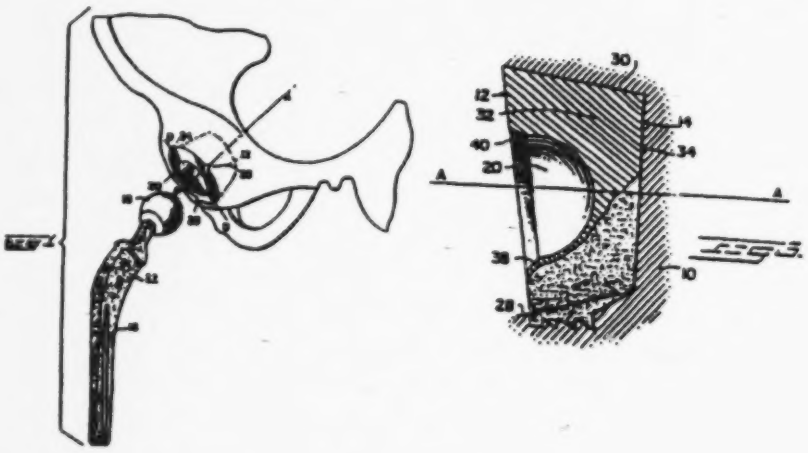
The patent and technology in this case relate to artificial hip sockets that include cup implants adapted for insertion into an acetabular, or hip, bone. The claims of the '262 patent at issue read:

> 1. An acetabular cup prothesis [sic] comprising a body extending generally longitudinally and terminating into front and rear surfaces, said front surface extending substantially transversely to said body; and at least one fin for securing said cup to a prepared acetabulum cavity, said fin having a length extending generally longitudinally from said front surface toward said rear surface continuously along said body throughout the entire length of said fin, and said fin being configured so as to extend radially outwardly beyond the perimeter of said front surface and said body so as to engage with the cavity thereby securing said cup.
>
> 2. An implant of claim 1, wherein the body has a generally conical outer surface.
>
> 9. An acetabular prosthesis consisting essentially of (1) a body extending generally longitudinally and terminating

into front and rear surfaces extending substantially transversely to said body; and (2) at least one fin for securing said cup to a prepared acetabulum cavity, said fin having a length extending generally longitudinally from said front surface toward said rear surface continuously along said body throughout the entire length of said fin, and said fin being configured so as to extend radially outwardly beyond the perimeter of said front surface and said body so as to engage with the cavity thereby securing said cup.

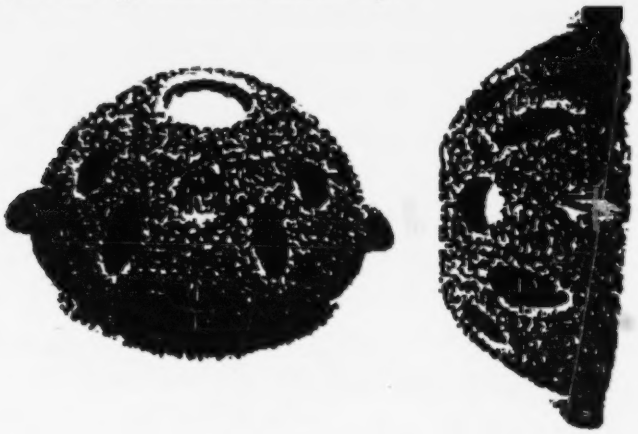
10. A prosthesis of claim 9, wherein the body has a generally conical outer surface.

Figures 1 and 3 of the '262 patent illustrate the preferred embodiment of the invention:



The cup 12 is inserted into a bore or hole 14 in the patient's hip bone 10. The cup has a plurality of longitudinally extended fins (24, 26, and 28) that allow the cup to grip beyond the bore 14 and to lock the prosthesis in place. Once the cup is in place, the fins provide additional resistance to the rotation of the cup and allow bony ingrowth into areas not necessarily found in other systems.

Pictured below is the accused Mallory/Head cup, DTX 469A, a hemispherical, finned cup.



On March 24, 1987, Tronzo filed the application that yielded the '262 patent as a continuation-in-part of an application filed on June 1, 1984, which issued as U.S. Patent No. 4,681,589 ('589 patent). The '262 patent issued to Tronzo on May 10, 1988. Subsequently, the '262 patent was twice reexamined at the Patent and Trademark Office, resulting in the confirmation of the patentability of the original claims and the addition of claims 9, 10, and 11.

Tronzo sued Biomet on April 25, 1991 for patent infringement and, under Florida law, for breach of a confidential relationship, fraud, and unjust enrichment. By special verdict, the jury found that the patent was entitled to the filing date of the '589 patent's application (the parent application), was not invalid, and was willfully infringed and that Biomet was liable under state law for breach of a confidential relationship, fraud, and unjust enrichment. The jury awarded Tronzo $3,805,000 for patent infringement; $4,757,000 in compensatory plus $15,000,000 in punitive damages for the breach of a confidential relationship; $7,134,000 in compensatory and $20,000,000 in punitive damages for fraud; and $4,750,000 in compensatory damages for unjust enrichment.

In accordance with the jury's findings on the patent issues, including willful infringement, the district court enhanced the damages for patent infringement by fifty percent, resulting in a total award of $5,707,500. *See* 35 U.S.C. § 284 (1994) (permitting enhancement of damages up to three times the amount assessed). The district court denied Biomet's motion for judgment as a matter of law (JMOL) on the patent issues. The court further determined that the patent was not unenforceable. Finally, the court granted Biomet's motion for JMOL with respect to the state law claims, dismissing with prejudice the unjust enrichment count and capping the total recovery available to avoid double recovery at $7,134,000 in compensatory damages and $20,000,000 in punitive damages.

DISCUSSION

We review a denial of a motion for JMOL *de novo* by reapplying the JMOL standard. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821, 23 USPQ2d 1426, 1431 (Fed.Cir.1992); *see also* Fed. R. Civ. Proc. 50(b). Thus, we will reverse a denial of a motion for JMOL only if the jury's factual determinations are not supported by substantial evidence or the legal conclusions implied from the verdict cannot be supported in law by those findings. *See Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1547-48, 31 USPQ2d 1746, 1751 (Fed.Cir.1994).

I.

For a claim in a later-filed application to be entitled to the filing date of an earlier application under 35 U.S.C. § 120 (1994), the earlier application must comply with the written description requirement of 35 U.S.C. § 112, ¶1 (1994). *See Lockwood v. American Airlines, Inc.*, 107 F.3d 1565, 1571, 41 USPQ2d 1961, 1965-66 (Fed.Cir.1997). Section 112, paragraph 1 requires that the specification "contain a written description of the invention, and of the manner and process of

making and using it ." [sic] To meet this requirement, the disclosure of the earlier application, the parent, must reasonably convey to one of skill in the art that the inventor possessed the later-claimed subject matter at the time the parent application was filed. *See Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563, 19 USPQ2d 1111, 1116 (Fed.Cir.1991); *see also Hyatt v. Boone*, 146 F.3d 1348, 1354-55, 47 USPQ2d 1128, 1132 (Fed.Cir.1998). A disclosure in a parent application that merely renders the later-claimed invention obvious is not sufficient to meet the written description requirement; the disclosure must describe the claimed invention with all its limitations. *See Lockwood*, 107 F.3d at 1572, 41 USPQ2d at 1966. Because the issue of whether the written description requirement has been satisfied is a question of fact, we must determine whether substantial evidence supports the jury's verdict that the requirement has been met. *See Wang Labs., Inc. v. Toshiba Corp.*, 993 F.2d 858, 865, 26 USPQ2d 1767, 1774 (Fed.Cir.1993).

Biomet asserts that claims 1 and 9 of the '262 patent are not entitled to the filing date of the parent application and consequently that intervening prior art anticipates these claims.[1] Specifically, Biomet argues that the '589 patent's specification describes only one cup—a conical cup—and thus does not provide sufficient support for claims 1 and 9, which are generic as to the shape of the cup. Thus, Biomet contends that claims 1 and 9 are not entitled to the benefit of the parent application's earlier filing date and are anticipated under 35 U.S.C. § 102(b) (1994) by intervening prior art, including Tronzo's British application which was published on December 4, 1985, more than one year before the filing of the CIP application resulting in the '262 patent, and which

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[1] Biomet concedes that claims 2 and 10 are adequately supported by the specification of the '589 patent and thus are entitled to the earlier filing date.

was the counterpart to his U.S. application that yielded the '589 patent.[2]

Tronzo responds that claims 1 and 9 are generic claims as to the shape of the cup and that the '589 patent's specification need only describe a sufficient number of species of cups to support the generic claim. Tronzo asserts that the '589 patent discloses six species of acetabular cup implants, which is sufficient support.

The patentee has conceded that intervening prior art would anticipate claims 1 and 9.[3] Thus, the only issue is whether claims 1 and 9 are entitled to the earlier filing date of the parent application. We conclude that substantial evidence does not support the conclusion that the '589 patent specification meets the written description requirement relative to claims 1 and 9 of the '262 patent. Accordingly, these claims are not entitled to the parent application's filing date.

The '589 patent describes the invention as a "trapezoid," a "truncated cone," or a cup of "conical shape." '589 Patent,

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[2] Biomet also asserts that intervening sales of the accused device should also constitute invalidating, intervening prior art. The district court, however, refused to consider this argument because Biomet had failed to timely raise it. Because Biomet has not demonstrated error in the district court's decision to bar the argument, we also do not reach this contention. *See Austin-Westshore Constr. Co. v. Federated Dep't Stores, Inc.*, 934 F.2d 1217, 1222 (11th Cir.1991); *see also Holmes v. United States*, 85 F.3d 956, 963 (2d Cir.1996).

[3] Although the basis of the patentee's concession of intervening prior art is not evident from the record, we note that the CIP application disclosed for the first time generically-shaped implant bodies. *See* '262 Patent, col. 5, ll. 30-31 (disclosing an implant body having "a spherical, conical, trapezoidal, or other suitable outer surface"); *id.* at col. 10, ll. 12-13 (disclosing an implant body having "a semi-circular external shape, or another suitable shape"); *see also Vas-Cath*, 935 F.2d at 1562, 19 USPQ2d at 1115; *In re Lukach*, 442 F.2d 967, 969-70, 169 USPQ 795, 797 (CCPA 1971).

col. 3, l. 63, col. 4, ll. 22-23. A reading of the specification demonstrates that these labels describe the *same* cup, and not three different species as asserted by Tronzo. Indeed, contrary to Tronzo's assertions, the '589 patent discloses only two species of cups: an "eccentric cup," which has a top lip shorter than the bottom lip, and a "true" cup, with all sides being equal. *See id.* at col. 5, ll. 3-10.

Moreover, the only reference in the '589 patent's specification to different shapes is a recitation of the prior art. *See id.* at col. 1, ll. 13-24 & 45-49. Instead of suggesting that the '589 patent encompasses additional shapes, the specification specifically distinguishes the prior art as inferior and touts the advantages of the conical shape of the '589 cup. *See, e.g., id.* at col. 3, ll. 63 ("Another extremely important aspect of the present device resides in the configuration of the acetabular cup as a trapezoid or a portion of a truncated cone."). Such statements make clear that the '589 patent discloses *only* conical shaped cups and nothing broader. The disclosure in the '589 specification, therefore, does not support the later-claimed, generic subject matter in claims 1 and 9 of the '262 patent.

The expert testimony offered at trial does not require a contrary conclusion. Tronzo's expert, Dr. Catanzaro, testified that hemispherical cups are disclosed in the '589 patent's specification, identifying two sections in the '589 patent supposedly making such a disclosure. As recognized by the district court, however, the first section referred to by Dr. Catanzaro as a sufficient disclosure served the narrow purpose of reviewing the prior art and did not describe the invention. *See id.* at col. 1, ll. 13-17. The second section identified by Dr. Catanzaro described "hemispheroidal" position maintaining devices, *see id.* at col. 1, ll. 46-52, but Dr. Catanzaro later conceded that this section did not refer to the shape of the patented cup.

Indeed, the district court recognized that "the written description in the parent '589 does not attempt to identify other, equally functional shapes or talk in terms of a range of shapes. . . ." The court concluded that "the narrow language of the '589 application cannot be said to disclose expressly either the particular hemispherical shape of the '262 claims or the entire genus of cups within which the conical cup of the '589 claims and the hemispherical cup of the '262 claims belong." The district court nevertheless determined that the jury's conclusion could be supported because the '589 patent's specification inherently contained a disclosure sufficient to meet the written description requirement of § 112, ¶ 1.

The only evidence claimed as supporting an inherent disclosure, however, is the testimony of Norman Torchin, another Tronzo expert. Torchin testified that when the inventor stated at column 4, lines 34-38 of the '589 patent that "[a]propos of this, the present concept or invention differs completely from the blades as shown, for example, in prior U.S. Pat. No. 3,840,904" the inventor meant that "the difference is in the blade as opposed to the structure of the cup, although [the inventor] does prefer the conical cup."

In order for a disclosure to be inherent, however, the missing descriptive matter must necessarily be present in the parent application's specification such that one skilled in the art would recognize such a disclosure. *See Continental Can Co. USA v. Monsanto Co.*, 948 F.2d 1264, 1268, 20 USPQ2d 1746, 1749 (Fed.Cir.1991). There is nothing in the '589 specification to suggest that shapes other than conical are necessarily a part of the disclosure. Indeed, as discussed above, the specification clearly suggests the contrary by asserting advantages of the conical shape over prior art shapes. The rationale of Tronzo's expert claimed to support inherency is not sufficient to support the generic claims in the '262 patent. *See In re MacLean*, 454 F.2d 756, 759, 172

USPQ 494, 497 (CCPA 1972) ("Certainly the single exemplary disclosure of using 93% by weight water in the liquid phase provides no support or description of the recited range 'preponderantly water,' i.e. anything above 50% by weight."). Torchin's testimony does not explain why a broader supporting disclosure is necessarily part of the '589 patent. We also agree that the district court properly rejected Torchin's reliance on an incorporation by reference of a prior Tronzo patent as supporting inherency.

Finally, relevant expert testimony of Biomet's witness, Dr. Hill, who testified that in his view as an orthopedic surgeon the '589 patent disclosed only a trapezoidal cup and nothing more is consistent with the express language in the '589 specification.

Accordingly, because the specification of the '589 patent fails to meet the written description necessary to support claims 1 and 9 of the '262 patent, these claims are not entitled to the filing date of the parent application and are invalid as anticipated by the intervening prior art.

II.

The remaining claims at issue, claims 2 and 10, were found to be infringed under the doctrine of equivalents. An accused device may infringe under the doctrine of equivalents only if it possesses all of the limitations of the relevant claim either literally or equivalently. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 117 S.Ct. 1040, 1054, 137 L.Ed.2d 146 (1997). Whether an element of the accused device is equivalent to a claim limitation depends on "whether the substitute element matches the function, way, and result of the claimed element, or whether the substitute element plays a role substantially different from the claimed element." *Id.* If a theory of equivalence would vitiate a claim limitation, however, then there can be no infringement under the doctrine of equivalents as a matter of law. *See id.* 117 S.Ct. at 1049, 1053 n. 8.

Biomet argues that infringement of claims 2 and 10 under the doctrine of equivalents by a hemispherical cup would vitiate the limitation requiring that the cup have a "generally conical outer surface." Tronzo responds that substantial evidence supports the jury's conclusion that a hemispherical shape is equivalent to a generally conical shape.

We are convinced that the evidence offered did not adequately establish legal equivalency of the hemispherical shape. While the evidence tended to demonstrate that the shape of the cup was irrelevant to achieving the desired result and that after successful implantation any shape would function essentially the same way, it also indicated that various shapes could produce "forces that might be different." Thus, Tronzo's expert, Dr. Catanzaro, testified that

> when either a hemispherical cup or trapezoidal cup *or any other shape* cup is successfully implanted into the body, it functions almost exactly the same way. Now, you can measure forces that might be different in various shapes, but don't forget, once these things are incorporated by the body, the body doesn't look at the shape of the cup, all it is looking at is a ball rotating inside a piece of plastic, because both these things are now part of the body.

(Emphasis added). This testimony as to function and way is merely conclusory on the legal issue to be decided. According to the expert testimony, *any* shape would be equivalent to the conical limitation of claims 2 and 10. Such a result is impermissible under the all-elements rule of *Warner-Jenkinson* because it would write the "generally conical outer surface" limitation out of the claims. *See* 117 S.Ct. at 1053 n. 8. Accordingly, the accused cup cannot infringe claims 2 and 10 under the doctrine of equivalents as a matter of law.

III.

At trial, the jury additionally found Biomet liable for fraud, and for breach of a confidential relationship, under Florida law. Under the fraud count, Tronzo asserted that Biomet had promised to pay Tronzo a royalty if he obtained a patent protecting his implant. Tronzo claimed detrimental reliance on this promise in pursuing patent protection and asserted that Biomet never intended to fulfill its promise. Tronzo thus contended that Biomet was liable for fraud. Under the breach of confidentiality count, Tronzo argued that Biomet disclosed his design to others in breach of a confidential relationship between himself and Biomet.

Biomet challenges the jury's verdict regarding liability and damages under these state law claims. As to liability, Biomet asserts a litany of challenges to the legal standards applied by the district court and to the adequacy of the evidence supporting the jury's factual determinations. We discern neither legal errors by the district court nor a lack of substantial evidence supporting the jury's verdict regarding liability.

Biomet also challenges the award of either a constructive trust of Biomet's profits or a reasonable royalty to Tronzo under the state law claims because, in Biomet's view, neither is causally related to Tronzo's actual injury. Tronzo responds that a constructive trust is an appropriate remedy under Florida law for either of the state law claims and that there is substantial evidence to support the jury's verdict under either theory.

In order for an award of damages to be proper, there must be some nexus between the damages claimed and the injury incurred. *See Rucker v. Garlock, Inc.*, 672 So.2d 100, 102 (Fla.Dist.Ct.App.1996). Under Florida tort law, the damages awarded should place the plaintiff in the position he would have been absent the tortious conduct. *See Phillips v. Ostrer*,

481 So.2d 1241, 1246 (Fla.Dist.Ct.App.1985); *Ashland Oil, Inc. v. Pickard*, 269 So.2d 714, 723 (Fla.Dist.Ct.App.1972); *see also* Restatement (Second) of Torts § 549 cmt. g (1977) ("[T]he purpose of a tort action is to compensate for the loss sustained and to restore the plaintiff to his former position, and not to give him the benefit of any contract he has made with the defendant.").

We conclude that the award of lost profits (as a constructive trust) or a reasonable royalty as damages for the torts asserted is inappropriate because it does not properly reflect Tronzo's actual injury. The district court noted, regarding the fraud claim, that

> [w]hile Biomet's argument that a patent is not a detriment has perhaps a superficial appeal, it neglects the costs to Dr. Tronzo of seeking his patent, defending it on re-examination, and of foregoing opportunities to pursue relationships with other companies or to pursue other means for bringing his acetabular cup to market.

While we agree with this characterization of the injury to Tronzo, such injury is not related to the lost profits damages awarded in this case. Nor do we see how, under the breach of confidentiality claim, Tronzo would have been injured in a way to entitle him to such damages. Instead, the award seems more akin to a remedy for breach of contract instead of either of the alleged torts. *See Ashland*, 269 So.2d at 723 ("[P]laintiffs recovered out-of-pocket expenses . . . plus loss of profits on their sales. *This would ordinarily be an impermissible double recovery*. However, such an award is permissible where plaintiffs pursue an action both for deceit and breach of contract.") (emphasis added).

Moreover, the use of a constructive trust is inappropriate in these circumstances. Generally, to impose a constructive trust, there must be an express or implied promise, a transfer of property in reliance thereon, a confidential relationship,

and unjust enrichment. *See Abreu v. Amaro*, 534 So.2d 771, 772 (Fla.Dist.Ct.App.1988). The purpose of this equitable remedy is both to prevent unjust enrichment and to restore property to its rightful owner. *See id.* Here, the only transfer of "property" that occurred in reliance on Biomet's promise was the transfer of information. The lost profits cannot properly be considered to be the rightful property of Tronzo—he never possessed such money or transferred it to Biomet. Thus, a constructive trust remedy is inappropriate in this case.[4]

We also note that upon the record before us there is no evidence to prove any of the costs and injuries incurred by Tronzo, such as the costs of prosecuting the patent and lost business opportunities. Thus, we remand to the district court to determine whether such evidence was presented and, if not, whether in the district court's discretion it would be appropriate to take new evidence in this regard.

CONCLUSION

We have considered Biomet's other arguments on appeal and find them without merit. We reverse the district court's judgment that claims 1 and 9 are not invalid and that claims 2 and 10 are infringed under the doctrine of equivalents. Given our conclusions regarding invalidity and noninfringement, we do not reach the issues of inequitable conduct or the invalidity of claims 2 and 10. We affirm the district court's judgment of liability under the state law claims but vacate and remand for the district court to determine an appropriate award of damages in accordance with this opinion.

AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART AND REMANDED.

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[4] Additionally, such a remedy is only appropriate if there are no adequate remedies at law. *Bender v. Centrust Mortgage Corp.*, 51 F.3d 1027, 1030 (11th Cir.1995) (applying Florida law). In our view, allowing Tronzo to recover only his actual injuries will provide adequate redress.

PAULINE NEWMAN, Circuit Judge, concurring in the judgment.

I concur in the judgment that claims 1 and 9 of the '262 patent are invalid on the ground of obviousness, in view of the references to Deyerle and McBride. However, the panel majority has erred in its treatment, as "anticipating" prior art under section 102(b), of Dr. Tronzo's own British counterpart of his United States parent application. The disclosure in the British patent is identical to that of the earlier-filed United States parent application; nonetheless, the panel majority treats the British patent as invalidating prior art. However, the patentee is entitled to the benefit of the prior filing of the parent United States application for the subject matter contained therein. Without the improperly relied-upon British counterpart, the rejection based on "anticipation" can not stand.

A continuation-in-part application relates back to its parent's filing date for the common subject matter. Since the intervening publication of the common subject matter is antedated by the United States parent application, the British counterpart is neither an "anticipating" reference nor a statutory bar against the continuation-in-part application. The publication of the British counterpart of Dr. Tronzo's parent application does not deprive him of the benefit of the filing date of the parent application for the subject matter of the parent application.

The contrary holding of the panel majority will have a dramatic adverse effect on continuation-in-part practice. The ruling that the disclosure in an inventor's parent application becomes prior art against a continuation-in-part application, when it is published before the filing of the continuation-in-part application, is a new and pernicious burden on inventors who seek early entry into the patent system while continuing to investigate the subject of their invention.

The issue of relating back to a parent filing date is different from the issue of constructive reduction to practice of generic claims in the continuation-in-part. There is no issue in this case of determining priority of invention. The issue is whether a patentee can rely on the filing of subject matter in a parent application in order to predate the later publication of that subject matter. According to the court's ruling today, the patentee loses the entire benefit of that earlier filing whenever a continuation-in-part is filed with additional data and broadened claims based in part on that data. That is, the patentee's own prior disclosure now becomes prior art against him. That is new, and incorrect, law. A later publication can not "anticipate" what is already on file; to the contrary, the later publication is removed as a reference by the identical earlier filing in the United States.

The purpose of the continuation-in-part is to permit an applicant to add new information and data, while retaining the benefit of the original filing date for what was originally filed. Many applicants obtain foreign patents based on the original filing, because of the first-to-file rule in foreign countries and the comity rules of the Paris Convention; some countries publish patents within a few months of their filing. With the court's holding today, such foreign patents are a statutory bar if the continuation-in-part is filed more than a year after the publication of the foreign counterpart. Thus the patentee is deprived of the benefit of the earlier filing in the United States, whenever new matter and broader claims are added by continuation-in-part. This destruction of the continuation-in-part practice is contrary to law and to the public interest. Thus I must, respectfully, dissent from the reasoning relied on by the panel majority.

APPENDIX E

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

00-1007

DR. RAYMOND G. TRONZO,
Plaintiff-Appellant,

v.

BIOMET, INC.,
Defendant-Appellee.

March 28, 2001, Decided
March 28, 2001, Filed

NOTICE: DECISION WITHOUT PUBLISHED OPINION

OPINION: ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the APPELLEE,* and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on April 4, 2001.

Dated: March 28, 2001

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* The Appellee filed a reply to the Appellant's response.